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Kentucky Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

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PUBLIC SERVICE
COMMISSION

Dear Sir or Madam:

I am writing to ask that the Commission refuse to grant Union Light Heat & Power the increase in rates for natural gas distribution which it applied for in February, 2005, and which it has arbitrarily imposed on bills beginning in October, 2005, despite the fact that the Commission has not yet made a decision on the request (according to the disclosure document included in my bill).

I am enclosing a copy of the disclosure document that arrived with my bill for October, 2005. Careful reading will show that nowhere does the document disclose the previous amount of the rate, the new amount of the rate, or the increment. Similarly, on the bill (I receive an expanded bill format that is supposed to detail all charges), the actual new rate is never disclosed. Instead, the bill shows a torturous computation whereby ULH&P decided to charge me for 7/29 of a month at the old rate and 22/29 of a month at the new rate. Using the previous month statement and backing into the amounts that were charged, I was able to determine that ULH&P is replacing the previous charge of \$8.30 Gas Delivery + \$3.29 Main Replacement Rider (total of \$11.59) with a new Gas Delivery Charge of \$15.01. The difference between the new charge and the old charges it replaces is \$3.42. This amounts to a 29.5% increase over the rate paid during the previous year, not the innocuous-looking 6.3% listed on the disclosure document in paragraph 5. Further, in paragraph 2, the disclosure document tries to make the point that there has been no base rate increase since 2002. This is an obfuscation of the facts, truthful only in the detail that the rate increases since 2002 have been disguised, and described, as Main Replacement Rider fees rather than Gas Delivery Charges. The duplicity of this scheme is exposed by the fact that the with the implementation of the new Gas Delivery Charge, the Main Replacement Rider fee is disappearing.

So, in fact, the real gas delivery rates over the past 4 years are as follows:

<u>Date</u>	<u>Gas Del</u>	<u>Main Repl</u>	<u>Total</u>	<u>Percent Increase</u>
Through September 2002	8.30		8.30	
Through September 2003	8.30	.63	8.93	7.59%
Through September 2004	8.30	2.10	10.40	16.46%
Through September 2005	8.30	3.29	11.59	11.44%

Clearly, ULH&P does not deserve an additional 29.5% increase at this time. If it is determined that a rate increase is necessary, my suggestion is to limit it to the 6.3% ULH&P has so coyly listed in its disclosure document. This would result in the Gas Delivery + Main Replacement charges increasing from \$11.59 to \$12.32, a much more reasonable increase, both with regard to the service being provided by the company, and the ability of its customers to pay.

Sincerely,

A message for our residential Cinergy/ULH&P gas customers

In February of this year, The Union Light, Heat and Power Co. applied to the Kentucky Public Service Commission for an increase of \$14 million in rates for natural gas distribution service to continue improvements in the reliability of ULH&P's gas system, which includes \$4.5 million which was already being billed under ULH&P's accelerated gas main replacement program.

The filing of the application at that time was required by the Kentucky PSC when it approved ULH&P's last base rate increase in 2002, if the company intended to continue annual recovery of costs associated with its accelerated main replacement program under a tracking mechanism approved by the PSC. The \$4.5 million in annual charges associated with the replacement program will go to zero.

The gas main replacement project was initiated to improve the reliability and safety of the gas distribution system. ULH&P has replaced approximately 90 miles of cast iron and bare steel pipe through 2004 and expects to replace an additional 20 miles in 2005, or about 55 percent of the cast iron and bare steel mains in its system. This program has reduced gas leaks repaired in the ULH&P system by more than 45 percent.

Pending a decision on its request by the PSC, ULH&P will implement the increase, subject to

refund effective with this bill as permitted under Kentucky law. Should the PSC at a later time grant an increase of an amount lower than the company requested, customers will be credited with the difference in a future bill.

For a typical residential customer using 108 ccf of natural gas per month, the monthly bill will increase from \$165.61 to \$176.05, or 6.3 percent.

This base rate increase request covers investments of approximately \$123 million in improvements that ULH&P is making to its system and other cost increases. The requested increase was partially offset by reduced maintenance expenses because the improvements in the gas distribution system will lower the number of leak repairs.

Base rates cover the company's costs to operate and maintain its physical gas system, which consists of the facilities and equipment necessary to deliver gas to customers' homes and businesses. Base rates are separate from the cost of gas ULH&P purchases from suppliers to meet customer needs. Gas costs are billed to customers on a dollar-for-dollar basis without any profit to ULH&P.

Cinergy\ULH&P is continually working to provide safe and reliable service to our Northern Kentucky gas customers. This change in base rates is a necessary element in our efforts to improve service and meet your energy needs.

CINERGY[®]
ULH&P